

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Resource Recovery and Recycling Authority of Southwest Oakland County</u>	County Oakland
Audit Date June 30, 2004	Opinion Date July 22, 2004	Date Accountant Report Submitted To State: September 7, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

Resource Recovery and Recycling Authority of Southwest Oakland County

**Financial Report
with Supplemental Information
June 30, 2004**

Resource Recovery and Recycling Authority of Southwest Oakland County

Contents

Report Letter	I
Management's Discussion and Analysis	2-4
Basic Financial Statements	
Statement of Net Assets and Governmental Funds Balance Sheet	5
Statement of Activities and Governmental Funds Revenue, Expenditures, and Changes in Fund Balance	6
Notes to Financial Statements	7-12
Required Supplemental Information	
Budgetary Comparison Schedules:	
General Administrative Fund	13-14
Billing Fund	15
Materials Recovery Facility	16



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Resource Recovery and Recycling Authority
of Southwest Oakland County

We have audited the accompanying basic financial statements of the Resource Recovery and Recycling Authority of Southwest Oakland County as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Resource Recovery and Recycling Authority of Southwest Oakland County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Resource Recovery and Recycling Authority of Southwest Oakland County as of June 30, 2004 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note 6, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

Plante & Moran, PLLC

July 22, 2004



A worldwide association of independent accounting firms

Resource Recovery and Recycling Authority of Southwest Oakland County

Management's Discussion and Analysis

Our discussion and analysis of the Resource Recovery and Recycling Authority of Southwest Oakland County's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Authority's financial statements.

Using this Annual Report

This annual report presents the financial position and the results of operations for each of the Authority's funds, as well as for the Authority as a whole. The individual funds are presented on the modified accrual basis of accounting, which is a short-term view that tells us how resources were spent during the year, as well as how much is available for future spending. This information is then aggregated and adjusted to the full accrual basis to present a longer-term view of the Authority as a whole. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities have funded the full cost of providing waste management services.

The Authority as a Whole

The following table shows, in a condensed format, the net assets on a full accrual basis compared to the prior year:

TABLE I

	June 30		Change	
	2004	2003	Dollars	Percent
Assets				
Current assets	\$ 366,200	\$ 309,495	\$ 56,705	18.3
Noncurrent assets	1,720,861	1,757,659	(36,798)	(2.1)
Total assets	2,087,061	2,067,154	19,907	1.0
Liabilities				
Current liabilities	58,807	55,588	3,219	5.8
Noncurrent liabilities	7,557	5,808	1,749	30.1
Total liabilities	66,364	61,396	4,968	8.1
Net Assets				
Invested in capital assets - Net of related debt	1,720,861	1,757,659	(36,798)	(2.1)
Unrestricted	299,836	248,099	51,737	20.9
Total net assets	<u>\$ 2,020,697</u>	<u>\$ 2,005,758</u>	<u>\$ 14,939</u>	0.7

The Authority's combined net assets increased .7 percent from a year ago - increasing from \$2,005,758 to \$2,020,697.

Resource Recovery and Recycling Authority of Southwest Oakland County

Management's Discussion and Analysis (Continued)

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - increased by \$51,737 for the governmental activities. This represents an increase of approximately 21 percent. The current level of unrestricted net assets for our governmental activities stands at \$299,836, or about 66 percent of expenditures.

The following table shows the changes of the net assets during the current year as compared to the prior year:

TABLE 2

	Year Ended June 30		Change	
	2004	2003	Dollars	Percent
Revenue:				
Contributions from members	\$ 306,695	\$ 305,045	\$ 1,650	0.5
MRF revenue-sharing	106,060	68,605	37,455	54.6
Host fees	29,963	28,130	1,833	6.5
Drop-off income	25,551	25,349	202	0.8
Interest income	2,305	3,585	(1,280)	(35.7)
Grant revenue	916	-	916	100.0
Other	549	2,899	(2,350)	(81.1)
Total revenue	472,039	433,613	38,426	8.9
Expenses:				
Salaries and benefits	235,426	213,848	21,578	10.1
Professional services	56,875	54,553	2,322	4.3
Other operating expenses	85,698	85,962	(264)	(0.3)
Drop-off expense	42,303	43,391	(1,088)	(2.5)
Depreciation	36,798	37,580	(782)	(2.1)
Total expenses	457,100	435,334	21,766	5.0
Change in Net Assets	<u>\$ 14,939</u>	<u>\$ (1,721)</u>	<u>\$ 16,660</u>	N/A

The Authority's Funds

The individual fund columns provide detail information about each fund, presented on both a modified accrual and full accrual basis of accounting. The Authority creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's funds include the General Administrative Fund, the Billing Fund, and the Materials Recovery Facility Fund.

Resource Recovery and Recycling Authority of Southwest Oakland County

Management's Discussion and Analysis (Continued)

Budgetary Highlights

Over the course of the year, the Authority amended the budget to take into account events during the year. Material changes involved amending anticipated revenue associated with MRF revenue sharing. This was a result of a relatively significant and sustained increase in the index value for various commodities. Overall, Authority revenue exceeded anticipated amounts by \$37,510.

Authority departments overall stayed below budget, resulting in total expenditures for all three funds being approximately \$22,000 below budget.

Capital Asset Administration

At the end of 2004, the Authority had \$1,720,861 invested in a range of capital assets (net of depreciation), including machinery and equipment and office furnishings and fixtures. Of this amount, \$1,550,000 relates to land originally purchased by Waste Management, Inc. during the year ended June 30, 1994. The land has been deeded to the Authority and the Authority works with the Materials Recovery Facility (MRF) operator (Recycle America Alliance, LLC) to set rates charged by the operator to residents of member communities such that the costs incurred by the operator to purchase the land and approximately 20 percent of its costs to purchase the MRF will be recovered over a 15-year period.

Economic Factors and Next Year's Budgets and Rates

Industry experts indicate that current economic factors support recycling markets and predict that commodity values will remain at or near current levels during the near term. Additionally, the Authority has taken steps to contain and/or reduce costs in various areas. As a result, revenues and expenses are expected to sustain existing operations without any change in current membership rates.

Contacting the Authority's Management

This financial report is intended to provide our member communities with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives from the member communities. If you have questions about this report or need additional information, we welcome you to contact the Authority's office.

Resource Recovery and Recycling Authority of Southwest Oakland County

Statement of Net Assets and Governmental Funds Balance Sheet June 30, 2004

	General Administrative	Billing	Materials Recovery Facility	Balance Sheet - Modified Accrual	Accrual Adjustments	Statement of Net Assets - Full Accrual
Assets						
Cash and cash equivalents (Note 3)	\$ 156,148	\$ 1,525	\$ 160,748	\$ 318,421	\$ -	\$ 318,421
Accounts receivable	-	-	40,821	40,821	-	40,821
Prepaid expenses	6,958	-	-	6,958	-	6,958
Total current assets	163,106	1,525	201,569	366,200	-	366,200
Nondepreciable capital assets (Note 4)	-	-	-	-	1,550,000	1,550,000
Depreciable capital assets - Net (Note 4)	-	-	-	-	170,861	170,861
Total assets	<u>\$ 163,106</u>	<u>\$ 1,525</u>	<u>\$ 201,569</u>	<u>\$ 366,200</u>	1,720,861	2,087,061
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ 39,738	\$ -	\$ -	\$ 39,738	-	39,738
Due to other governmental units	-	104	-	104	-	104
Salaries payable	3,719	-	-	3,719	-	3,719
Compensated absences:						
Due within one year	-	-	-	-	15,246	15,246
Due in more than one year	-	-	-	-	7,557	7,557
Total liabilities	43,457	104	-	43,561	22,803	66,364
Fund Balance	<u>119,649</u>	<u>1,421</u>	<u>201,569</u>	<u>322,639</u>	(322,639)	-
Total liabilities and fund balance	<u>\$ 163,106</u>	<u>\$ 1,525</u>	<u>\$ 201,569</u>	<u>\$ 366,200</u>		
Net Assets						
Invested in capital assets - Net of related debt					1,720,861	1,720,861
Unrestricted					299,836	299,836
Total net assets					<u>\$ 2,020,697</u>	<u>\$ 2,020,697</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Statement of Activities and Governmental Funds Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2004

	General Administrative	Billing	Materials Recovery Facility	Total Modified Accrual	Accrual Adjustments	Full Accrual
Operating Revenue						
Contributions from members	\$ 220,379	\$ 11,000	\$ 75,316	\$ 306,695	\$ -	\$ 306,695
MRF revenue-sharing	-	-	106,060	106,060	-	106,060
Host fees	-	-	29,963	29,963	-	29,963
Drop-off income	25,551	-	-	25,551	-	25,551
Interest income	1,126	100	1,079	2,305	-	2,305
Grant revenue	916	-	-	916	-	916
Other	549	-	-	549	-	549
Total operating revenue	248,521	11,100	212,418	472,039	-	472,039
Operating Expenses						
Salaries and benefits	150,432	8,562	71,153	230,147	5,279	235,426
Professional services	9,550	-	47,325	56,875	-	56,875
Supplies	4,551	562	990	6,103	-	6,103
Printing and publishing	10,670	-	-	10,670	-	10,670
Postage and mailing	16,665	1,150	-	17,815	-	17,815
Utilities	4,700	255	1,000	5,955	-	5,955
Training and travel	6,330	95	86	6,511	-	6,511
Other operating expenses	16,447	200	18,845	35,492	-	35,492
Drop-off expense	42,303	-	-	42,303	-	42,303
Depreciation	-	-	-	-	36,798	36,798
Transfer and debt service	-	-	3,152	3,152	-	3,152
Total operating expenses	261,648	10,824	142,551	415,023	42,077	457,100
Surplus (Shortfall)	(13,127)	276	69,867	57,016	(42,077)	14,939
Fund Balance/Net Assets - July 1, 2003	132,776	1,145	131,702	265,623	1,740,135	2,005,758
Fund Balance/Net Assets - June 30, 2004	<u>\$ 119,649</u>	<u>\$ 1,421</u>	<u>\$ 201,569</u>	<u>\$ 322,639</u>	<u>\$ 1,698,058</u>	<u>\$ 2,020,697</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements
June 30, 2004

Note I - Summary of Significant Accounting Policies

The Resource Recovery and Recycling Authority of Southwest Oakland County (the "Authority") is a municipal authority and body corporate, incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom and the Charter Township of Lyon and was created pursuant to Act 179, Michigan Public Acts of 1947, as amended. Currently, the Authority is engaged in assisting the communities in the coordination of their solid waste management activities. Its ultimate purpose is the collection and disposal of rubbish and acquisition and operation of a waste management system.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Resource Recovery and Recycling Authority of Southwest Oakland County:

Modified Accrual and Full Accrual Data

The Authority has three funds, which are used to demonstrate accountability by separately reporting the use of resources from the Authority's three main sources. The Authority reports the following funds:

- a. The General Administrative Fund, which is the Authority's primary operating fund. It accounts for all financial resources that are not otherwise accounted for in another fund;
- b. The Billing Fund, which provides billing services to certain members' residents; and
- c. The Materials Recovery Facility Fund, which reports the operation of the materials recovery facility.

The individual funds are budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Resource Recovery and Recycling Authority of Southwest Oakland County

**Notes to Financial Statements
June 30, 2004**

Note I - Summary of Significant Accounting Policies (Continued)

In addition to presenting information for individual funds, the statements combine all fund activity and present information for the Authority as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both modified accrual and full accrual columns.

Capital Assets - Capital assets, which include land for the MRF site, machinery and equipment, and office furniture and fixtures, are reported in the full accrual column. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Land (MRF site)	Not depreciated
Machinery and equipment	15 years
Office furniture and fixtures	5-10 years

Compensated Absences (Vacation and Sick Leave) - It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Authority does not have a policy to pay any amounts when employees separate from service with the Authority. All vacation pay is accrued when incurred in the full accrual columns. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Reclassifications - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds. All annual appropriations lapse at fiscal year end. The budget is prepared by the general manager and approved by the Board of Trustees. The budget document presents information by fund and line items. The legal level of budgetary control adopted by the governing body is the line item level (i.e., the level at which expenditures may not legally exceed appropriations). Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Authority did not have significant expenditure budget variances.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2004

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated one bank for the deposit of funds. The investment policy adopted by the Authority in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Resource Recovery and Recycling Authority of Southwest Oakland County's deposits and investment policies are in accordance with statutory authority.

The Authority's deposits and investments are reported under the cash and cash equivalents classification. The balance sheet amount is classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (including checking accounts and savings accounts)	\$ 21,560
Investments in bank-sponsored mutual funds	<u>296,861</u>
Total	<u>\$ 318,421</u>

The bank balance of the Authority's deposits is \$22,584, which was fully covered by federal depository insurance. The bank-sponsored mutual funds are registered with the SEC.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2004

Note 3 - Deposits and Investments (Continued)

At June 30, 2004, the Authority's investments consisted entirely of bank-sponsored mutual funds. The bank mutual funds consist of bank trust funds, which are held by the Trust Department of the bank and are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pool and the money market mutual funds is the same as the value of the pool shares. The bank money market mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Authority believes that the investments in the funds comply with the investment authority noted above.

Note 4 - Capital Assets

Capital asset activity was as follows:

	Balance July 1, 2003	Additions	Balance June 30, 2004
Capital assets not being depreciated -			
Land (MRF site)	\$ 1,550,000	\$ -	\$ 1,550,000
Capital assets being depreciated:			
Machinery and equipment	500,000	-	500,000
Office furnishings and fixtures	<u>117,567</u>	<u>-</u>	<u>117,567</u>
Subtotal	617,567	-	617,567
Accumulated depreciation:			
Machinery and equipment	300,000	33,333	333,333
Office furnishings and fixtures	<u>109,908</u>	<u>3,465</u>	<u>113,373</u>
Subtotal	<u>409,908</u>	<u>36,798</u>	<u>446,706</u>
Net capital assets being depreciated	<u>207,659</u>	<u>(36,798)</u>	<u>170,861</u>
Net capital assets	<u>\$ 1,757,659</u>	<u>\$ (36,798)</u>	<u>\$ 1,720,861</u>

The \$1,550,000 of land was originally purchased by Waste Management, Inc. during the year ended June 30, 1994. The land has been deeded to the Authority, and the Authority has agreed to lease the land to Recycle America Alliance, LLC at one dollar per year for a 15-year period while they operate the MRF on the site. Rates charged to member communities using the MRF have been set so that Recycle America Alliance, LLC will recover its cost of purchasing the land over a 15-year period.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2004

Note 4 - Capital Assets (Continued)

A \$500,000 grant from the State of Michigan was used to purchase machinery to equip the MRF. The accumulated depreciation on this equipment as of June 30, 2004 amounted to \$333,000.

Upon termination of the lease in 2008, the title to the MRF will be transferred to the Authority. The Authority will record the facility at its fair value, if any, at the time of transfer (the original cost of the facility is \$5,600,000, of which \$1,125,100 is being funded by charges to member communities).

The Authority works with the MRF operator (Recycle America Alliance, LLC) to set the rates charged by the operator to residents of member communities such that the costs incurred by the operator to purchase the land and approximately 20 percent of its costs to purchase the MRF will be recovered over a 15-year period.

Note 5 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for medical benefits, workers' compensation, and general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 6 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Authority has applied the provisions of this statement in the accompanying financial statements (including notes to the financial statements). The significant changes arising from this statement are as follows:

- A management's discussion and analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations
- A change in the fund financial statements to focus on the major funds
- A "full accrual" column prepared using full accrual accounting for all of the Authority's activities

Required Supplemental Information

Resource Recovery and Recycling Authority of Southwest Oakland County

Budgetary Comparison Schedule - General Administrative Fund Year Ended June 30, 2004

	Prior Year Actual	Current Year			Over (Under) Budget
		Original Budget	Amended Budget	Actual	
Revenue					
Member contributions	\$ 220,379	\$ 220,379	\$ 220,379	\$ 220,379	\$ -
Interest income	1,717	2,000	1,200	1,126	(74)
Drop-off income	25,349	25,000	22,000	25,551	3,551
Miscellaneous income	1,399	300	3,235	1,465	(1,770)
Total revenue	248,844	247,679	246,814	248,521	1,707
Expenditures					
Supervisory salaries	45,000	46,710	46,710	46,710	-
Permanent salaries	49,189	53,237	53,960	53,960	-
Overtime	2,522	2,642	2,742	2,697	(45)
FICA	8,085	8,648	8,706	8,521	(185)
Medical and dental insurance	24,851	30,529	27,383	26,854	(529)
Unemployment insurance	145	126	166	166	-
Workers' compensation	1,026	1,112	1,027	1,027	-
ICMA contribution	9,111	10,462	10,497	10,497	-
Operating supplies	986	1,600	1,000	592	(408)
Office supplies	2,900	2,880	4,000	3,959	(41)
Postage and mailing	16,008	15,385	16,665	16,665	-
Magazines and periodicals	977	1,025	1,025	967	(58)
Books	174	150	150	150	-
Audit	4,500	4,500	4,900	4,900	-
Consulting services - Engineers	-	750	-	-	-
Consulting services - Legal	722	1,500	1,500	-	(1,500)
Consulting services - Accounting	-	500	1,500	870	(630)
Membership dues	1,534	1,725	1,725	1,640	(85)
Contractual services	3,061	4,785	5,350	3,780	(1,570)
Contractual services - Drop-off expense	43,391	46,600	43,850	42,303	(1,547)
Telephone	4,760	4,700	4,700	4,700	-
Vehicle allowance	3,600	3,600	3,600	3,600	-
Community relations	7,211	3,690	3,600	3,258	(342)
Printing and publishing	9,463	12,876	11,508	10,670	(838)
Building and liability insurance	1,026	1,180	1,002	1,002	-
Equipment maintenance	2,182	2,000	2,000	1,687	(313)
Building and grounds maintenance	1,412	1,000	1,000	810	(190)
Office equipment rental	2,176	2,800	3,000	3,000	-
Conferences and workshops	2,119	3,100	3,100	1,330	(1,770)
Expenses and mileage	2,988	3,000	3,000	3,000	-
Education and training	2,000	6,000	4,000	2,000	(2,000)
Office equipment	4,043	1,000	1,000	333	(667)
Contingency	-	5,419	3,500	-	(3,500)
Total expenditures	257,162	285,231	277,866	261,648	(16,218)

Resource Recovery and Recycling Authority of Southwest Oakland County

Budgetary Comparison Schedule - General Administrative Fund (Continued) Year Ended June 30, 2004

	Prior Year Actual	Current Year			Over (Under) Budget
		Original Budget	Amended Budget	Actual	
Excess of Expenditures Over Revenue	\$ (8,318)	\$ (37,552)	\$ (31,052)	\$ (13,127)	\$ 17,925
Fund Balance - Beginning of year	141,094	117,907	132,776	132,776	-
Fund Balance - End of year	<u>\$ 132,776</u>	<u>\$ 80,355</u>	<u>\$ 101,724</u>	<u>\$ 119,649</u>	<u>\$ 17,925</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Budgetary Comparison Schedule - Billing Fund Year Ended June 30, 2004

	Prior Year Actual	Current Year			Over (Under) Budget
		Original Budget	Amended Budget	Actual	
Revenue					
Member contributions	\$ 9,350	\$ 11,000	\$ 11,000	\$ 11,000	\$ -
Interest income	151	230	100	100	-
Total revenue	9,501	11,230	11,100	11,100	-
Expenditures					
Permanent salaries	5,386	5,594	5,593	5,593	-
FICA	433	449	449	449	-
Medical and dental insurance	1,944	2,162	2,200	2,200	-
Unemployment insurance	10	10	10	10	-
Workers' compensation	-	30	30	30	-
ICMA contribution	269	280	280	280	-
Office supplies	597	600	600	562	(38)
Postage and mailing	931	1,100	1,150	1,150	-
Telephone	450	450	450	255	(195)
Equipment maintenance	200	200	200	200	-
Expenses and mileage	52	100	100	95	(5)
Contingency	-	200	150	-	(150)
Total expenditures	10,272	11,175	11,212	10,824	(388)
Excess of Revenue Over (Under) Expenditures	(771)	55	(112)	276	(388)
Fund Balance - Beginning of year	1,916	832	1,145	1,145	-
Fund Balance - End of year	<u>\$ 1,145</u>	<u>\$ 887</u>	<u>\$ 1,033</u>	<u>\$ 1,421</u>	<u>\$ (388)</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Budgetary Comparison Schedule - Materials Recovery Facility Year Ended June 30, 2004

	Prior Year Actual	Current Year			Over (Under) Budget
		Original Budget	Amended Budget	Actual	
Revenue					
Member contributions	\$ 75,316	\$ 75,316	\$ 75,316	\$ 75,316	\$ -
Interest income	1,717	2,000	1,200	1,079	(121)
Revenue sharing:					
RRRASOC	43,437	2,000	40,018	64,230	24,212
Non-RRRASOC	25,168	-	30,581	41,830	11,249
Host fees	28,130	30,000	29,500	29,963	463
Miscellaneous income	1,500	-	-	-	-
Total revenue	175,268	109,316	176,615	212,418	35,803
Expenditures					
Supervisory salaries	30,000	31,140	31,140	31,140	-
Permanent salaries	16,137	17,223	17,533	17,533	-
FICA	3,921	4,163	4,188	4,179	(9)
Medical and dental insurance	10,656	13,376	12,090	11,809	(281)
Unemployment insurance	63	54	72	72	-
Workers' compensation	365	393	354	344	(10)
ICMA contribution	5,015	6,061	6,076	6,076	-
Operating supplies	95	400	400	170	(230)
Office supplies	900	900	900	820	(80)
Audit	1,895	1,900	2,100	2,100	-
Consulting services - Engineers	-	500	1,000	742	(258)
Consulting services - Legal	8,500	5,000	8,000	7,532	(468)
Consulting services - Accounting	-	200	-	-	-
Contractual services - Scales	35,875	36,951	36,951	36,951	-
Telephone	1,000	1,000	1,000	1,000	-
Equipment maintenance	615	3,700	3,700	-	(3,700)
Conferences and workshops	47	2,000	2,000	30	(1,970)
Host fee distribution	17,330	18,000	19,000	18,805	(195)
Expenses and mileage	-	600	600	56	(544)
Office equipment	-	500	500	-	(500)
Transfer and debt service	-	-	-	3,152	3,152
Contingency	-	4,112	500	40	(460)
Total expenditures	132,414	148,173	148,104	142,551	(5,553)
Excess of Revenue Over (Under) Expenditures	42,854	(38,857)	28,511	69,867	41,356
Fund Balance - Beginning of year	88,848	102,120	131,702	131,702	-
Fund Balance - End of year	\$ 131,702	\$ 63,263	\$ 160,213	\$ 201,569	\$ 41,356